

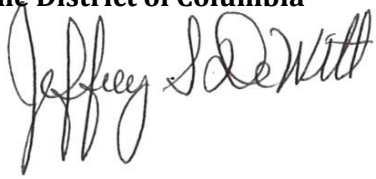
Government of the District of Columbia
Office of the Chief Financial Officer



Jeff DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeff DeWitt
Chief Financial Officer 

DATE: October 21, 2014

SUBJECT: Fiscal Impact Statement – N Street Village, Inc. Tax and TOPA
Exemption Amendment Act of 2014

REFERENCE: Bill 20-690, as Introduced

Conclusion

Funds are not sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill. Implementation of the bill will cost \$376,000 in FY 2015.

Background

N Street Village, Inc. is a District non-profit that owns and operates affordable housing for families, supportive housing for individuals, and supportive services for tenants and low-income neighbors. N Street Village is currently seeking to transfer its property and building to a neighboring church¹ and then lease back the property for fifty years at nominal rent to continue providing the housing and support services to low-income residents.

The bill exempts N Street Village, designated for tax purposes as Square 242, Lot 93,² from all taxation³ so long as it continues to operate as affordable housing⁴ and provide supportive services. The owner of the property must also be N Street Village, Luther Place Memorial Church, or a third entity controlled by N Street Village and/or Luther Place Memorial Church. Additionally, the property is exempt from the Tenant Opportunity to Purchase Act⁵ if the tax-exempt uses continue to be met.

¹ Luther Place Memorial Church and N Street Village have a long standing agreement that the property would be transferred to the church.

² 1301 14th Street, NW.

³ Including real property, deed recordation, and transfer, and economic interest taxes.

⁴ As defined in D.C. Official Code § 1005.02(a)(1).

⁵ Effective September 10, 1980, (D.C. Law 3-86; D.C. Official Code § 42-3404.01).

Financial Plan Impact

Funds are not sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill.

The Office of Tax and Revenue exempted the property from real property taxes in 1995 under a general exemption for public charity purposes.⁶ Thus, the transfer of the property from N Street Village to Luther Place Memorial Church would not be subject to transfer taxes. However, the transfer would require the church to pay recordation and real property taxes because the N Street Village activities are not related to the church's core activities. The Office of Tax and Revenue estimates that 73 percent of the property would be subject to real property taxation following the transfer.⁷

N Street Village is also applying for Low-Income Housing Tax Credits in 2015. If N Street Village successfully receives the tax credit, which is expected, the property will again become wholly tax exempt. Thus, the fiscal impact of providing these exemptions is only expected to be for FY 2015.

N Street Village, Inc. Tax and TOPA Exemption Amendment Act					
Bill 20-690					
Cost of Tax Exemptions					
FY 2015 – FY 2018					
	FY 2015	FY 2016	FY 2017	FY 2018	Total
Real Property Tax Exemption	\$139,000	\$0	\$0	\$0	\$139,000
Recordation Tax Exemption	\$237,000	\$0	\$0	\$0	\$237,000
Total Exemption	\$376,000	\$0	\$0	\$0	\$376,000

There are no costs associated with the Tenant Opportunity to Purchase Act exemption.

⁶ D.C. Official Code § 47-1002(8).

⁷ See the Tax Abatement Financial Analysis issued by the OCFO's Office of Economic Development Finance on September 8, 2014.